

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM**

**MANISTEE, MICHIGAN**

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**AUDITED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
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## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name State, Sheriff's, Chief's Enforcement Narcotic	County
Fiscal Year End 09/30/06	Opinion Date 02/01/07	Date Audit Report Submitted to State 03/29/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

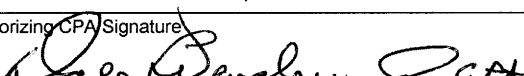
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☒ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No instances requiring comment noted.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Kalcher, Vanderwal & Torrey, P.C.		Telephone Number (231) 946-2300	
Street Address 928 S. Garfield Avenue, Suite 3		City Traverse City	State MI
Zip 49686			
Authorizing CPA Signature 	Printed Name Dale L. Vanderwal, C.P.A.	License Number A259322	

**KALCHER  
VANDERWAL  
& TORREY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

DALE L. VANDERWAL, C.P.A.  
LEE W. TORREY, C.P.A.  
JOHN A. SPRATTO, C.P.A.  
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TRAVERSE CITY  
MANISTEE

Of Counsel:  
LEONARD R. KALCHER, C.P.A.

**INDEPENDENT AUDITOR'S REPORT**

February 1, 2007

Advisory Board  
State, Sheriff's, Chief's Enforcement of Narcotics Team

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of State, Sheriff's, Chief's Enforcement of Narcotics Team (SSCENT), as of and for the year ended September 30, 2006, which collectively comprise SSCENT's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SSCENT management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of SSCENT, as of September 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Kalcher, Vanderwal & Torrey, P.C.*

Certified Public Accountants

**STATE, SHERIFF'S, CHIEF'S ENFORCEMENT OF NARCOTICS TEAM**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**Fiscal Year October 2005 – September 2006**

The MD&A is intended to serve as an overview analysis of the financial condition and operating results of the Team.

Please direct questions regarding this report to:

State, Sheriff's, Chiefs Enforcement of Narcotics Team  
3793 W. Polk  
Hart, MI 49420  
231-843-7045

## **STATE, SHERIFF'S, CHIEF'S ENFORCEMENT OF NARCOTICS TEAM MANAGEMENT DISCUSSION AND ANALYSIS**

### **Relationship of Financial Statements**

The basic financial statements contained herein include information that presents two different views of the Team using the modified-accrual and full accrual methods.

The Statement of Net Assets and the Statement of Activities provide information under the full-accrual method. The full-accrual method focuses on long-term economic resources and presents a statement of not only how services were financed in the short-term, but also what remains for future spending.

The individual fund balance sheets and statements of revenue, expenditures and changes in fund balance include information about the Team's general fund under the modified-accrual method. The modified-accrual method focuses on current financial resources.

This report also contains other required supplementary information, a Budget to Actual comparison, in addition to the basic statements themselves.

### **Financial Highlights**

At the close of the fiscal year, the Team had total assets of \$60,424 and liabilities of \$1,800, leaving net assets of \$58,624. Of this amount, \$5,094 represented an investment in capital assets and \$53,530 was unrestricted net assets available to meet the ongoing obligations of the Team. The Team's net assets decreased \$3,622 this year over the previous fiscal year.

The Team's largest source of revenue for the year ended September 30, 2006 was agency contributions of \$30,000. This amount reflected the same as the previous year. Buy money recovered decreased \$18,713 from the prior fiscal year. Funding from Mason County, which represents adjudicated forfeiture funds increased \$4,103. These funds are held by Mason County and requested when needed. The Board changed its policy on requesting these funds and did not need to use as much from this source due to increases in other revenue sources. In total, operating revenue declined \$14,572 over the prior year. However, expenditures increased \$5,901.

Purchased evidence expenses account for the largest expense in the Team's budget, which equates to approximately 33% of total expenditures in the current fiscal year, versus 29% of the prior fiscal year. The increase is due to the timing and type of cases that required purchased evidence from one year to the next. Other major uses of funds are communication, office expenses and administrative personnel costs.

## **STATE, SHERIFF'S, CHIEF'S ENFORCEMENT OF NARCOTICS TEAM MANAGEMENT DISCUSSION AND ANALYSIS**

### **The Team Funds**

The Team uses a general fund to account for all financial transactions, including the general operating expenditures of the Team. Revenues, as noted, are derived mainly from contributions, adjudicated forfeiture funds, and restitution.

### **The Team's Budgetary Highlights**

Over the course of the year, the Team's Board of Directors amended the budget to address unplanned needs that occurred during the year. The general fund amendments reflected increases in office expenses and forfeiture expenses.

Revenues were lower than anticipated due to less forfeiture funds being seized during the fiscal year and less recovered buy money turned back over to the Team.

### **Capital Assets and Long Term Debt Activity**

At the end of the fiscal year, the Team had \$14,940 in capital assets. The Team currently occupies space in facilities owned by the City of Ludington at no cost.

The Team has no long-term debt activity.

### **Next Year's Anticipated Budget Factors**

The team has no plans to move its operations from the current physical location. Revenues for next year are anticipated to be slightly less than last year as no large forfeiture cases are pending for the fiscal year and revenues are anticipated to be similar to last years. SSCENT has made arrangements with the City of Ludington to be the fiduciary of all current and future forfeiture funds as well as all other operational funds and activities. Therefore, in the future, the financial activities of SSCENT will be reported by the City of Ludington.

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

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**ASSETS**

Investigative cash funds	\$ 4,784
Cash in bank	50,408
Due from fiduciary fund	138
Capital assets, net	<u>5,094</u>
 Total Assets	 <u>\$ 60,424</u>

**LIABILITIES**

Accounts payable	\$ 1,508
Due to Mason County	<u>292</u>
 Total Liabilities	 <u>\$ 1,800</u>

**NET ASSETS**

Invested in capital assets	\$ 5,094
Unrestricted	<u>53,530</u>
	<u><u>\$ 58,624</u></u>

The accompanying notes are an integral part of these financial statements.



### General Revenues:

City of Manistee

\$ 30,000

64

\$ 30,064

\$ (3,622)

62,246

\$ 58,624

-7-

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
BALANCE SHEETS  
SEPTEMBER 30, 2006**

	<b>General Fund</b>	<b>Fiduciary Fund</b>	<b>Totals (Memo Only)</b>
<b><u>ASSETS</u></b>			
Investigative cash funds	\$ 4,784	\$ -	\$ 4,784
Restricted cash	-	6,259	6,259
Cash in bank	50,408	-	50,408
Due from fiduciary fund	138	-	138
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 55,330	\$ 6,259	\$ 61,589
	<hr/>	<hr/>	<hr/>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b><u>Liabilities</u></b>			
Accounts payable	\$ 1,508	\$ -	\$ 1,508
Seized funds pending judgement	-	6,121	6,121
Due to Mason County	292	-	292
Due to general fund	-	138	138
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 1,800	\$ 6,259	\$ 8,059
	<hr/>	<hr/>	<hr/>
<b><u>Fund Balances</u></b>	53,530	-	53,530
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 55,330	\$ 6,259	\$ 61,589
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
RECONCILIATION OF THE BALANCE SHEET OF THE GENERAL FUND  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

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Fund Balance - Total governmental funds	\$ 53,530
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and are  
not reported in the General Fund:

Governmental capital assets	\$ 14,940	
Less accumulated depreciation	<u>(9,846)</u>	<u>5,094</u>

Net Assets - Governmental Activities	<u><u>\$ 58,624</u></u>
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The accompanying notes are an integral part of these financial statements.

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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**Revenue**

Funding from Mason County (Note 5)	\$ 15,000
Buy money recovered	910
Interest income	64
Agency contributions	30,000
Other income	1,353
Total Revenue	<u>\$ 47,327</u>

**Expenditures**

Personnel costs	\$ 5,023
Communication expense	4,723
Purchased evidence	15,879
Other investigative expenses	781
Accounting fees	2,000
Office expense	5,027
Repairs and maintenance	1,325
Alarm system	362
Capital outlay	2,976
Professional fees	3,500
Contribution to City of Ludington	5,000
Training	814
Auto expenses	551
Total Expenditures	<u>\$ 47,961</u>

**Revenue Over (Under) Expenditures**

\$ (634)

Fund balance - beginning	<u>54,164</u>
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**Fund Balance - Ending**

\$ 53,530

The accompanying notes are an integral part of these financial statements.

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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Net change in fund balances - total governmental funds	\$ (634)
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Amounts reported for governmental activities in the Statement of  
Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of  
Activities, the cost of those assets is depreciated over their estimated useful lives.

Current year depreciation of assets	<u>(2,988)</u>
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Change in net assets of governmental activities	<u><u>\$ (3,622)</u></u>
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The accompanying notes are an integral part of these financial statements.

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

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**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the State, Sheriff's, Chief's Enforcement of Narcotics Team (SSCENT) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

**Reporting Entity**

The criteria established for determining the reporting entity include oversight responsibility, scope of public service, and special financing relationships. Only the activities of State, Sheriff's, Chief's Enforcement of Narcotics Team are included in these financial statements. The Team is a cooperative agency created to interdict the flow of controlled substances into the area covered by the Team. The participating agencies are as follows: Michigan State Police and Manistee, Mason and Oceana Counties and the Cities of Ludington and Manistee. The functions of the Team are overseen by the Advisory Board made up of representatives from each of the participating units plus the prosecutors from each of the counties. The officers of the participating agencies are paid through a federal grant to the State of Michigan along with local match shares paid by the participating agencies.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

SSCENT's basic financial statements include both SSCENT as a Whole and its individual fund financial statements.

**Government-Wide Financial Statements**

SSCENT's Government-Wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below. Fiduciary funds are not included in these statements.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The balance sheet includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. SSCENT's net assets are reported in two parts; invested in capital assets and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

Amounts reported as program revenue include charges to organizations for the compilation of statistical reports.

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Financial Statements**

SSCENT's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SSCENT considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by SSCENT.

Nonmonetary forfeitures and nonmonetary seized assets held pending judgment are not given effect in these financial statements because their monetary values are not subject to reasonable estimation. Seized assets are turned over to Mason County at such time as they are forfeited to SSCENT and converted to cash. Forfeiture occurs only after proper administrative and/or judicial procedures have taken place. Forfeited assets include nonmonetary items, such as vehicles and weapons. Periodically these assets are sold at auction with the proceeds being turned over to Mason County by SSCENT at that time. See Note 5 also.

SSCENT reports the following governmental funds:

**General Fund** – The General Fund is SSCENT's primary operating fund. It accounts for all financial resources of SSCENT. It is also considered SSCENT's only major fund.

**Fiduciary Fund** – The Fiduciary Fund is used to account for assets held by SSCENT as an agent (See Note 5 also). Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Budgets and Budget Accounting**

SSCENT adopts a budget for its governmental type fund as required by Public Act 621 of the State of Michigan. SSCENT follows these procedures in establishing the budget as reflected in the financial statements:

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

1. In August or September, the Advisory Board prepares a preliminary budget for the ensuing fiscal year.
2. During September, the budget is legally enacted through passage of a resolution. Amendments to the budget are made during the fiscal year, if necessary.
3. The budget is adopted on a basis consistent with the modified accrual method of accounting.

SSCENT adopted its budget for the year ended September 30, 2006 at its September 30, 2005 meeting and a statement of revenues and expenditures compared to budget for the year is included on page 19. The last amendment to the budget was made on September 29, 2006.

All funds have positive fund balances at September 30, 2006.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. During fiscal year 2005/06, SSCENT incurred expenditures in certain budgetary items which were in excess of the amounts appropriated as follows:

<b><u>Budget Items</u></b>	<b><u>Budget Amount</u></b>	<b><u>Amount of Expenditure</u></b>	<b><u>Budget Variance</u></b>
Office expense	\$ 5,000	\$ 5,027	\$ 27
Auto expense	-	551	551

**Encumbrance System**

SSCENT does not use an encumbrance system.

**Cash and Cash Equivalents**

For the purposes of the balance sheet classification, SSCENT considers all money market accounts and certificates of deposits with maturities of three months or less when purchased to be cash equivalents. The cash deposits held at financial institutions can be categorized according to three levels of risk.



**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

These three levels of risk are as follows:

- Category 1    Deposits that are insured or collateralized with securities held by SSCENT or by its agent in SSCENT's name.
- Category 2    Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in SSCENT's name.
- Category 3    Deposits which are not collateralized or insured.

Based on these three levels of risk, all of SSCENT's cash deposits are classified as Category 1.

**Capital Assets** - Capital assets are defined by SSCENT as assets with an initial cost of \$ 5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Vehicles and equipment are depreciated using the straight-line method over the following lives:

Vehicles	5 years
Equipment	5 years

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**Donated Services**

Personnel for the operation of SSCENT are provided by the law enforcement agencies whose officers are working on the team. No expense or revenue has been recorded for these donated services in the books and records of SSCENT.

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

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**Note 2 – Deposits with Financial Institutions**

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act 196, Public Acts of 1998 (effective December 30, 1998), states that SSCENT, by resolution, may authorize the Chief Fiscal Officer to invest surplus funds as follows:

- a. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, but only if the financial institution complies with certain requirements included within the act.
- c. In commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- d. In United States Government or Federal Agency obligation repurchase agreements.
- e. In bankers' acceptances of United States banks.
- f. In mutual funds composed of investments vehicles, which are legal for the direct investment by local units of government in Michigan.

**Note 3 – Commitments**

SSCENT occupies space in facilities owned by the City of Ludington Police Department at no cost to SSCENT. However, SSCENT made a contribution to the City in the amount of \$ 5,000 during fiscal year 2005/06. SSCENT also leases a copier at \$ 68.75 per month. This lease runs through June 14, 2010. Total lease payments of \$ 825 are included in office expense in these financial statements. Minimum payments on this lease are as follows:

Fiscal year	2006/2007	\$ 825
	2007/2008	825
	2008/2009	825
	2009/2010	550
		<u>\$ 3,025</u>

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

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**Note 4 - Risk Management**

Because State, Sheriff's, Chief's Enforcement of Narcotics Team is a cooperative agency of various law enforcement entities, risks of loss are insured by the various entities which participate in SSCENT. SSCENT has no employees, and therefore participating officers and support staff are insured for workers compensation purposes through the individual law enforcement entities as well.

**Note 5 - Forfeited Funds**

In order to be in compliance with an Attorney General of the State of Michigan opinion regarding the appropriation of forfeiture proceeds, SSCENT, in December, 1998, made arrangements with the treasurer of Mason County to be the recipient and appropriator of all current and future forfeiture funds generated by SSCENT.

During 2005/2006, Mason County transferred \$ 15,000 of the forfeiture funds to SSCENT for its operational costs. At September 30, 2006, Mason County held \$ 151,732 in forfeiture funds.

For fiscal year 2006/2007, SSCENT has made arrangements with the City of Ludington to be the recipient and appropriator of all current and/future forfeiture funds as well as all other operational funds and activities. Therefore, in the future, the financial activities of SSCENT will be reported by the City of Ludington.

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

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**Note 6 – Capital Assets**

Capital assets of SSCENT are as follows:

	<b>Balance September 30, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2006</b>
<b>Assets:</b>				
Vehicles	\$ 9,200	\$ -	\$ -	\$ 9,200
Equipment	5,740	-	-	5,740
	<u>\$ 14,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,940</u>
<b>Accumulated Depreciation:</b>				
Vehicles	\$ 4,753	\$ 1,840	\$ -	\$ 6,593
Equipment	2,105	1,148	-	3,253
	<u>\$ 6,858</u>	<u>\$ 2,988</u>	<u>\$ -</u>	<u>\$ 9,846</u>
<b>Net Capital Assets</b>	<u>\$ 8,082</u>	<u>\$ (2,988)</u>	<u>\$ -</u>	<u>\$ 5,094</u>

Depreciation for the year ended September 30, 2006, amounted to \$ 2,988. SSCENT has only one program and therefore there is no allocation necessary for the Statement of Activities.

**STATE, SHERIFF'S, CHIEF'S  
ENFORCEMENT OF NARCOTICS TEAM  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b><u>Revenue</u></b>				
Funding from Mason County	\$ 65,000	\$ 65,000	\$ 15,000	\$ (50,000)
Buy money recovered	-	-	910	910
Interest income	1,500	1,000	64	(936)
Agency contributions	30,000	30,000	30,000	-
Other income	5,000	5,000	1,353	(3,647)
Total Revenue	<u>\$ 101,500</u>	<u>\$ 101,000</u>	<u>\$ 47,327</u>	<u>\$ (53,673)</u>
<b><u>Expenditures</u></b>				
Personnel costs	\$ 6,700	\$ 6,700	\$ 5,023	\$ 1,677
Communication expense	7,000	5,000	4,723	277
Purchased evidence	20,500	22,000	15,879	6,121
Other investigative expenses	1,000	1,000	781	219
Accounting fees	2,000	2,000	2,000	-
Office expense	4,000	5,000	5,027	(27)
Repairs and maintenance	1,000	2,000	1,325	675
Alarm system	500	500	362	138
Capital outlay	5,000	5,000	2,976	2,024
Professional fees	4,250	4,250	3,500	750
Contribution to City of Ludington	5,000	5,000	5,000	-
Training	2,500	1,000	814	186
Auto expenses	-	-	551	(551)
Total Expenditures	<u>\$ 59,450</u>	<u>\$ 59,450</u>	<u>\$ 47,961</u>	<u>\$ 11,489</u>
<b><u>Revenue Over (Under) Expenditures</u></b>	\$ 42,050	\$ 41,550	\$ (634)	\$ (42,184)
Fund balance - beginning	<u>54,164</u>	<u>54,164</u>	<u>54,164</u>	<u>-</u>
<b><u>Fund Balance - Ending</u></b>	<u>\$ 96,214</u>	<u>\$ 95,714</u>	<u>\$ 53,530</u>	<u>\$ (42,184)</u>

The accompanying notes are an integral part of these financial statements.